



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B34405

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: www.in.gov/sboa

May 22, 2009

Board of Directors
St. Joseph River Watershed Initiative, Inc.
3718 New Vision Drive
Fort Wayne, IN 46845

We have reviewed the audit report prepared by Krouse, Kern & Co., Inc., Independent Public Accountants, for the period October 1, 2006 to September 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the St. Joseph River Watershed Initiative, Inc., as of September 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

FORT WAYNE, INDIANA

Financial Statements

as of September 30, 2007 and 2006

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

TABLE OF CONTENTS

September 30, 2007

	PAGE
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3 – 4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10

February 18, 2008

Board of Directors
St. Joseph River Watershed Initiative, Inc.
Fort Wayne, Indiana

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of St. Joseph River Watershed Initiative, Inc., ("Organization") Fort Wayne, Indiana, as of September 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the St. Joseph River Watershed Initiative, Inc., Fort Wayne, Indiana, as of September 30, 2007 and 2006, and the changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.


KROUSE, KERN & CO., INC.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statements of Financial Position
September 30, 2007 and 2006

ASSETS		<u>2007</u>	<u>2006</u>
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents		\$ 62,370	\$ 13,710
Accounts and grants receivable		<u>415,374</u>	<u>359,894</u>
Total Current Assets		<u>477,744</u>	<u>373,604</u>
<i>EQUIPMENT</i>			
Less: Accumulated depreciation		<u>(2,063)</u>	<u>(1,114)</u>
Total Net Equipment		<u>2,683</u>	<u>3,632</u>
<i>NON-CURRENT ASSETS:</i>			
Grants receivable		<u>78,062</u>	<u>335,000</u>
<i>TOTAL ASSETS</i>		<u><u>\$ 558,489</u></u>	<u><u>\$ 712,236</u></u>
LIABILITIES AND NET ASSETS			
<i>CURRENT LIABILITIES:</i>			
Accounts payable		\$ 41,024	\$ 11,140
Accrued expenses		<u>13,314</u>	<u>19,639</u>
Total Current Liabilities		<u>54,338</u>	<u>30,779</u>
<i>NET ASSETS:</i>			
Unrestricted		41,791	69,036
Temporarily restricted		<u>462,360</u>	<u>612,421</u>
Total Net Assets		<u>504,151</u>	<u>681,457</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>		<u><u>\$ 558,489</u></u>	<u><u>\$ 712,236</u></u>

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statement of Activities
for the year ended September 30, 2007

	Unrestricted	Temporarily Restricted	Total
<i>SUPPORT AND REVENUE:</i>			
Grants	\$ 113,676	\$ 50,086	\$ 163,762
Contributions	7,360	-	7,360
Grants and contributions - in kind	143,057	-	143,057
Other income	7,847	-	7,847
Net assets released from restriction	<u>200,147</u>	<u>(200,147)</u>	<u>-</u>
 Total Support and Revenue	 <u>472,087</u>	 <u>(150,061)</u>	 <u>322,026</u>
 <i>EXPENSES:</i>			
Contract labor	157,807	-	157,807
Contract services	27,748	-	27,748
Contract services - in kind	142,307	-	142,307
Cost-share assistance (BMP)	60,902	-	60,902
Depreciation	949	-	949
Equipment lease and rentals	37,386	-	37,386
Incentive expense (BMP)	12,821	-	12,821
Legal and professional fees	16,227	-	16,227
Other expense	13,279	-	13,279
Postage and delivery	1,455	-	1,455
Project expenses	1,704	-	1,704
Rent - office	2,218	-	2,218
Repairs and maintenance	2,184	-	2,184
Supplies	16,571	-	16,571
Travel	4,078	-	4,078
Utilities	<u>1,696</u>	<u>-</u>	<u>1,696</u>
 Total Expenses	 <u>499,332</u>	 <u>-</u>	 <u>499,332</u>
 <i>CHANGE IN NET ASSETS</i>	 (27,245)	 (150,061)	 (177,306)
 <i>NET ASSETS, BEGINNING OF YEAR</i>	 <u>69,036</u>	 <u>612,421</u>	 <u>681,457</u>
 <i>NET ASSETS, END OF YEAR</i>	 <u>\$ 41,791</u>	 <u>\$ 462,360</u>	 <u>\$ 504,151</u>

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statement of Activities
for the year ended September 30, 2006

	Unrestricted	Temporarily Restricted	Total
<i>SUPPORT AND REVENUE:</i>			
Grants	\$ 265,984	\$ 612,421	\$ 878,405
Contributions	8,724	-	8,724
Grants and contributions - in kind	134,609	-	134,609
Other income	41,547	-	41,547
Net assets released from restriction	73,403	(73,403)	-
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	524,267	539,018	1,063,285
	<hr/>	<hr/>	<hr/>
<i>EXPENSES:</i>			
Contract labor	158,324	-	158,324
Contract services	6,636	-	6,636
Contract services - in kind	134,159	-	134,159
Cost-share assistance (BMP)	36,779	-	36,779
Depreciation	905	-	905
Equipment lease and rentals	119,606	-	119,606
Incentive expense (BMP)	26,060	-	26,060
Legal and professional fees	1,751	-	1,751
Other expense	11,556	-	11,556
Postage and delivery	1,913	-	1,913
Project expenses	10,005	-	10,005
Rent - office	2,877	-	2,877
Repairs and maintenance	1,059	-	1,059
Supplies	25,325	-	25,325
Travel	2,151	-	2,151
Utilities	857	-	857
	<hr/>	<hr/>	<hr/>
Total Expenses	539,963	-	539,963
	<hr/>	<hr/>	<hr/>
<i>CHANGE IN NET ASSETS</i>	(15,696)	539,018	523,322
	<hr/>	<hr/>	<hr/>
<i>NET ASSETS, BEGINNING OF YEAR</i>	84,732	73,403	158,135
	<hr/>	<hr/>	<hr/>
<i>NET ASSETS, END OF YEAR</i>	\$ 69,036	\$ 612,421	\$ 681,457
	<hr/>	<hr/>	<hr/>

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statements of Cash Flows
for the years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (177,306)	\$ 523,322
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	949	905
Gain on sale of equipment	-	(8,829)
Change in Operating Assets and Liabilities:		
Receivables	201,458	(547,044)
Prepaid expenses	-	2,082
Accounts payable	29,884	(12,364)
Accrued expenses	<u>(6,325)</u>	<u>19,639</u>
Net Cash Provided (Used) by Operating Activities	<u>48,660</u>	<u>(22,289)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment	-	11,750
Purchase of equipment	-	<u>(3,949)</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>7,801</u>
Net increase (decrease) in cash and cash equivalents	48,660	(14,488)
Cash and cash equivalents at beginning of year	<u>13,710</u>	<u>28,198</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 62,370</u></u>	<u><u>\$ 13,710</u></u>

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements

NOTE 1. NATURE OF ACTIVITIES

St. Joseph River Watershed Initiative, Inc. (the "Organization") is a nonprofit organization that is dedicated to develop partnerships and promote economical and environmentally compatible land uses that improve water quality in the St. Joseph River watershed. The Organization receives the majority of its support from federal and state government grants.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING:

The financial statements for the Organization have been prepared on the accrual basis. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

BASIS OF PRESENTATION:

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

The following classes of net assets are maintained:

Unrestricted Net Assets:

The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Temporarily Restricted Net Assets:

The temporarily restricted net asset class includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

ALLOWANCE FOR BAD DEBT:

The Organization uses the direct write-off method for uncollectible receivables. Management believes this method approximates the allowance method, as no grants or accounts receivable are deemed uncollectible at year-end.

PROPERTY AND EQUIPMENT:

Depreciation is computed over the estimated useful life of the assets using the straight-line method. Acquisitions of property and equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

CONTRIBUTIONS:

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS: (Continued)

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GRANTS:

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. However the Board deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the Organizations to the provisions of the gift.

INCOME TAX STATUS:

The St. Joseph River Watershed Initiative, Inc., is classified as a publicly supported organization, qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

DONATED SERVICES:

Donated services of a specialized nature, which create or enhance financial assets and which would otherwise be purchased, are recorded at their fair value with the related expense in the statement of activities. Donated volunteer services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time to further the Organization's programs and mission.

NOTE 3. CONCENTRATION OF REVENUE SOURCES

Approximately 90% of the Organization's revenue is derived from federal and state agency grants that may be renewed at their discretion. The current level of the Organization's operations and program services may be impacted or segments discontinued if the funding is not renewed.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by grantors.

Purpose restriction accomplished for the year ended September 30:

	<u>2007</u>	<u>2006</u>
Cedar Creek Watershed Management Plan - Implementation Phase I	\$ 87,314	\$ -
Lower St. Joseph River & Bear Creek Watershed Management	35,422	-
Public Education and Outreach Services	5,146	-
St. Joseph River Erosion Reduction Project	-	16,628
St Joseph River Sediment, Pesticide, & Nutrient Reduction Phase I	-	1,034
St Joseph River Sediment, Pesticide, & Nutrient Reduction Phase II	72,265	-
Source Water Protection Initiative (Agricultural Research Service)	-	54,859
Miscellaneous	-	882
	<u>\$ 200,147</u>	<u>\$ 73,403</u>

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2007</u>	<u>2006</u>
Cedar Creek Watershed Management Plan - Implementation Phase I	\$ 344,895	\$ 432,209
Lower St. Joseph River & Bear Creek Watershed Management	-	35,422
Public Education and Outreach Services	7,125	5,146
St Joseph River Sediment, Pesticide, & Nutrient Reduction Phase II	67,379	139,644
Strengthening Organization Grant	4,878	-
The Nature Conservancy/St. Joseph River Project Grant	6,425	-
U.S. Fish & Wildlife Service Grant	31,658	-
	<u>\$ 462,360</u>	<u>\$ 612,421</u>

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 5. AFFILIATE

The Organization has contracted with the Allen County Soil & Water Conservation District (ACSWCD) to provide staffing services (Executive Director, Administrative Assistant and Agriculture Technicians) and use of office space on a month-to-month basis. The Organization paid ACSWCD \$157,807 and \$158,324 for contracted services and \$2,218 and \$2,877 for office space rental, for the years ended September 30, 2007 and 2006, respectively.